

CITY OF KING COVE

Basic Financial Statements, Required Supplementary Information,
Additional Supplementary Information and Compliance Report

Year Ended June 30, 2015

CITY OF KING COVE

Basic Financial Statements, Required Supplementary Information, Additional
Supplementary Information and Compliance Report

Year Ended June 30, 2015

CITY OF KING COVE

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Independent Auditor's Report

Members of the City Council
City of King Cove
King Cove, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of King Cove as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position, and where applicable cash flows thereof and the respective budgetary comparison for the General Fund, the Water and Sewer Special Revenue Fund, and the Permanent Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note - XV to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Contributions to the Public Employees' Retirement System on pages 43 to 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City basic financial statements. The Information listed in the Table of Contents as “Additional Supplementary Information” including combining and individual major and nonmajor schedules and statements, are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

The “Additional Supplementary Information” including the combining and individual major and nonmajor schedules and statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the “Additional Supplementary Information” including the combining and individual major and nonmajor schedules and statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

City of King Cove, Alaska’s basic financial statement for the year ended June 30, 2014, which are presented with the accompanying financial statements, were audited by other auditors whose report thereon, dated January 14, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The report of the other auditors, dated January 14, 2015, stated that the combining and individual fund financial statements and schedules for the year ended June 30, 2014 were subjected to the auditing procedures applied in the audit of the June 30, 2014 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016, on our consideration of the City internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



Anchorage, Alaska
March 29, 2016

CITY OF KING COVE, ALASKA

Statement of Net Position

June 30, 2015

<u>Assets and Deferred Outflows of Resources</u>	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,168,091	-	1,168,091
Receivables:			
Accounts	214,539	164,579	379,118
Sales taxes	221,930	-	221,930
Grants	-	86,414	86,414
Other	2,379	-	2,379
Allowance for doubtful accounts	-	(34,400)	(34,400)
Internal balances	767,551	(767,551)	-
Inventories	-	97,317	97,317
Investment in Southwest Governments, LLC	118,136	-	118,136
Restricted cash - bond reserves and unspent bond proceeds	-	194,818	194,818
Capital assets, not being depreciated	517,842	899,384	1,417,226
Other capital assets, net of accumulated depreciation	20,052,159	22,352,941	42,405,100
Total assets	23,062,627	22,993,502	46,056,129
Deferred outflows of resources - Pension deferrals	68,073	27,805	95,878
Total assets and deferred outflows of resources	\$ 23,130,700	23,021,307	46,152,007
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>			
Accounts payable	24,212	14,574	38,786
Accrued payroll and related liabilities	55,246	20,658	75,904
Customer deposits	-	4,793	4,793
Accrued interest payable	10,056	20,765	30,821
Unearned revenue	6,013	-	6,013
Noncurrent liabilities:			
Due within one year:			
Accrued leave	-	13,549	13,549
Bonds	-	165,000	165,000
Loans	40,992	170,595	211,587
Notes	15,687	-	15,687
Due in more than one year:			
Accrued leave	138,099	-	138,099
Bonds	-	2,010,000	2,010,000
Loans	1,234,495	-	1,234,495
Notes	45,479	-	45,479
Landfill closure	969,182	-	969,182
Unamortized bond premium	-	120,413	120,413
Net pension liability	835,660	341,326	1,176,986
Total liabilities	3,375,121	2,881,673	6,256,794
Deferred inflows of resources - Pension deferrals	77,820	31,786	109,606
Net investment in capital assets	19,233,348	20,956,912	40,190,260
Unrestricted	444,411	(849,064)	(404,653)
Total net position	19,677,759	20,107,848	39,785,607
Total liabilities, deferred inflows of resources and net position	\$ 23,130,700	23,021,307	46,152,007

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Statement of Activities

Year Ended June 30, 2015

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:							
General government	\$ 774,287	38,961	75,472	-	(659,854)	-	(659,854)
Public safety	540,098	-	57,712	-	(482,386)	-	(482,386)
Public works	963,176	-	54,897	-	(908,279)	-	(908,279)
Community services	309,538	43,099	2,206	-	(264,233)	-	(264,233)
Water and sewer	568,204	320,863	21,413	-	(225,928)	-	(225,928)
Solid waste	127,788	104,518	2,360	-	(20,910)	-	(20,910)
Total governmental activities	3,283,091	507,441	214,060	-	(2,561,590)	-	(2,561,590)
Business-type activities:							
Electric utility	1,231,161	1,262,556	6,761	60,329	-	98,485	98,485
Harbor and port	884,767	328,589	24,128	-	-	(532,050)	(532,050)
Total business type activities	2,115,928	1,591,145	30,889	60,329	-	(433,565)	(433,565)
Total	\$ 5,399,019	2,098,586	244,949	60,329	(2,561,590)	(433,565)	(2,995,155)
General revenues:							
Sales and business impact taxes					1,630,330	-	1,630,330
Grants and entitlements not restricted to a specific purpose					715,463	-	715,463
Investment income					44	-	44
Other					43,015	-	43,015
Transfers					(49,819)	49,819	-
Total general revenues and transfers					2,339,033	49,819	2,388,852
Change in net position					(222,557)	(383,746)	(606,303)
Net position, at beginning of year, as previously stated					21,019,534	20,836,377	41,855,911
Internal Service Fund conversion					(79,777)	79,777	-
Cumulative effect of a change in accounting principle					(1,039,441)	(424,560)	(1,464,001)
Net position at beginning of year, restated					19,900,316	20,491,594	40,391,910
Net position at end of year					19,677,759	20,107,848	39,785,607

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Balance Sheet - Governmental Funds

Year Ended June 30, 2015

<u>Assets</u>	<u>Major Funds</u>			<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Water and Sewer Special Revenue</u>	<u>Permanent Fund Special Revenue</u>		
Cash and cash equivalents	\$ 718,928	-	449,163	-	1,168,091
Receivables:					-
Accounts	48,802	121,323	-	44,414	214,539
Sales taxes	221,930	-	-	-	221,930
Other	2,379	-	-	-	2,379
Due from other funds	593,280	-	518,339	78,194	1,189,813
Advances to other funds	804,412	-	-	-	804,412
Investment in Southwest Governments, LLC	118,136	-	-	-	118,136
Total assets	\$ 2,507,867	121,323	967,502	122,608	3,719,300
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)					
Liabilities:					
Accounts payable	19,032	3,947	-	1,233	24,212
Accrued payroll and related liabilities	45,879	5,256	-	4,111	55,246
Due to other funds	596,533	593,280	-	-	1,189,813
Advances from other funds	36,861	-	-	-	36,861
Unearned revenues	6,013	-	-	-	6,013
Total liabilities	<u>704,318</u>	<u>602,483</u>	<u>-</u>	<u>5,344</u>	<u>1,312,145</u>
Deferred inflows of resources					
Unavailable revenues	-	86,815	-	13,404	100,219
Total liabilities and deferred inflows of resources	704,318	689,298	-	18,748	1,412,364
Fund balances (deficits):					
Nonspendable	922,548	-	-	-	922,548
Committed	-	-	967,502	-	967,502
Assigned	-	-	-	103,860	103,860
Unassigned (deficit)	881,001	(567,975)	-	-	313,026
Total fund balances (deficits)	<u>1,803,549</u>	<u>(567,975)</u>	<u>967,502</u>	<u>103,860</u>	<u>2,306,936</u>
Total liabilities and fund balances	\$ 2,507,867	121,323	967,502	122,608	3,719,300

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

June 30, 2015

Total fund balances for governmental funds		\$	2,306,936
Total net position reported for governmental activities in the Statement of Net Position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of in the funds. These assets, net of accumulated depreciation are:			
Land and land improvements	420,390		
Construction in progress	97,452		
Buildings	4,199,718		
Improvements other than buildings	21,712,923		
Equipment	1,418,601		
Accumulated depreciation	(7,279,083)		
Total capital assets, net of depreciation			20,570,001
Long-term receivables resulting from charges for services are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:			
Water and sewer charges	86,815		
Solid waste charges	13,404		100,219
Long-term liabilities, including loans payable and accrued leave are not due and payable in the current period and, therefore, are not reported as fund liabilities:			
Loans payable	(1,275,487)		
Note payable	(61,166)		
Landfill closure costs payable	(969,182)		
Accrued interest payable	(10,056)		
Accrued leave	(138,099)		
Total long term liabilities			(2,453,990)
Pension related assets in the current fiscal year are presented as deferred outflows of resources			68,073
Pension related liabilities in the current fiscal year are presented as deferred inflows of resources			(77,820)
Proportionate share of the collective net pension liability			(835,660)
Total Net position of governmental activities		\$	<u>19,677,759</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Year Ended June 30, 2015

	Major Funds				Total Governmental Funds
	General	Water and Sewer Special Revenue	Permanent Fund Special Revenue	Nonmajor Funds	
Revenues:					
Sales and business impact taxes	\$ 1,630,330	-	-	-	1,630,330
Intergovernmental:			-		-
Aleutians east borough	85,039				85,039
Federal sources	91,302				91,302
State sources	968,390	42,243		35,182	1,045,815
Charges for services	38,961	234,048	-	131,555	404,564
Investment income	-	-	44	-	44
Other	22,329	4,400	-	2,658	29,387
Total revenues	<u>2,836,351</u>	<u>280,691</u>	<u>44</u>	<u>169,395</u>	<u>3,286,481</u>
Expenditures:					
Current:					
General government	706,893	-	-	-	706,893
Public safety	716,026	-	-	-	716,026
Public works	427,124	-	-	273,558	700,682
Community services	207,826	-	-	46,492	254,318
Water and sewer	-	338,821	-	-	338,821
Solid waste collection	-	-	-	136,487	136,487
Other	216,279	-	-	-	216,279
Debt service:					-
Principal	-	43,724	-	35,567	79,291
Interest	-	48,801	-	10,510	59,311
Total expenditures	<u>2,274,148</u>	<u>431,346</u>	<u>-</u>	<u>502,614</u>	<u>3,208,108</u>
Excess of revenues over (under) expenditures	562,203	(150,655)	44	(333,219)	78,373
Other financing sources (uses):					
Proceeds from issuance of debt	-	-	-	69,700	69,700
Transfers in	60,000	20,000	30,000	312,284	422,284
Transfers out	(472,103)	-	-	-	(472,103)
Net other financing sources (uses)	<u>(412,103)</u>	<u>20,000</u>	<u>30,000</u>	<u>381,984</u>	<u>19,881</u>
Net change in fund balances	150,100	(130,655)	30,044	48,765	98,254
Beginning fund balances (deficit)	<u>1,653,449</u>	<u>(437,320)</u>	<u>937,458</u>	<u>55,095</u>	<u>2,208,682</u>
Ending fund balances (deficit)	<u>\$ 1,803,549</u>	<u>(567,975)</u>	<u>967,502</u>	<u>103,860</u>	<u>2,306,936</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities

Year Ended Jun 30, 2015

Net change in fund balances - total governmental funds	\$	98,254
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Certain revenues in the statement of activities do not provide current financial resources and are reported as unearned or unavailable revenues in the funds:		
Water & Sewer user fees	86,815	
Solid Waste collection fees	<u>13,404</u>	100,219
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives.		
Capital outlay	185,155	
Depreciation expense	<u>(783,522)</u>	(598,367)
Governmental funds report only the proceeds from the disposal of capital assets. In the Statement of Activities, a gain or loss is reported for each sale. The net effect of these disposals involving capital assets is to decrease net position.		
Cost of assets disposed	(361,256)	
Accumulated depreciation	<u>352,000</u>	(9,256)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount of principal paid on long-term debt.		
Proceeds from the issuance of new debt	(69,700)	
Principal repayments	<u>79,291</u>	9,591
The governmental fund statements do not reflect the increase in long-term liabilities that are not to be paid with current financial resources. This is the amount of increase in the landfill closure liability.		
		(35,896)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the decrease in:		
Accrued leave		18,864
Decrease in the collective share of the net pension liability		106,506
Amortization of deferred outflows and inflows of resources		19,455
Changes in deferred outflows and inflows of resources are the result of timing differences in the actuarial report. Contributions to the pension plan in the current fiscal year are expenditures in the fund financial statements but are presented as changes in deferred outflows of resources in the government-wide statements.		
		<u>68,073</u>
Change in net position of governmental activities	\$	<u>(222,557)</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 1,700,000	1,625,000	1,630,330	5,330
Intergovernmental:				
Aleutians east borough	100,000	100,000	85,039	(14,961)
Federal sources	20,000	82,000	91,302	9,302
State sources	769,800	823,338	968,390	145,052
Charges for services	36,000	49,250	38,961	(10,289)
Other	-	-	22,329	22,329
Total revenues	<u>2,625,800</u>	<u>2,679,588</u>	<u>2,836,351</u>	<u>156,763</u>
Expenditures:				
General government	666,930	691,467	706,893	(15,426)
Public safety	580,599	644,445	716,026	(71,581)
Public works	487,400	417,469	427,124	(9,655)
Community services	239,881	230,768	207,826	22,942
Other	146,200	170,900	216,279	(45,379)
Total expenditures	<u>2,121,010</u>	<u>2,155,049</u>	<u>2,274,148</u>	<u>(119,099)</u>
Excess of revenues over expenditures	504,790	524,539	562,203	37,664
Other financing sources (uses):				
Transfers in	-	60,000	60,000	-
Transfers out	<u>(369,400)</u>	<u>(521,103)</u>	<u>(472,103)</u>	<u>49,000</u>
Net other financing sources (uses)	<u>(369,400)</u>	<u>(461,103)</u>	<u>(412,103)</u>	<u>49,000</u>
Net Change in fund balance	\$ <u>135,390</u>	<u>63,436</u>	150,100	<u>86,664</u>
Beginning fund balances			<u>1,653,449</u>	
Ending fund balances			\$ <u>1,803,549</u>	

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Water and Sewer Special Revenue Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance (Deficit) - Original and Final Budget and Actual

Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 337,100	347,100	234,048	(113,052)
Intergovernmental - state sources	31,400	31,400	42,243	10,843
Other	-	-	4,400	4,400
Total Revenues	<u>368,500</u>	<u>378,500</u>	<u>280,691</u>	<u>(97,809)</u>
Expenditures:				
Current:				
Water	240,444	255,466	251,922	3,544
Sewer	71,425	68,990	86,899	(17,909)
Debt service:				
Principal	52,080	33,000	43,724	(10,724)
Interest	59,720	59,000	48,801	10,199
Total expenditures	<u>423,669</u>	<u>416,456</u>	<u>431,346</u>	<u>(14,890)</u>
Excess of revenues over (under) expenditures	(55,169)	(37,956)	(150,655)	(112,699)
Other financing sources - transfers in	<u>70,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in deficit	\$ <u>14,831</u>	<u>(17,956)</u>	(130,655)	<u>(112,699)</u>
Beginning fund balance (deficit)			<u>(437,320)</u>	
Ending fund balance (deficit)			\$ <u>(567,975)</u>	

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Permanent Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues - investment income	\$ 100	100	44	(56)
Expenditures	-	-	-	-
Excess of revenues over expenditures	100	100	44	(56)
Other financing sources:				
Transfers in	30,000	116,333	30,000	(86,333)
Net other financing sources	30,000	116,333	30,000	(86,333)
Net change in fund balance	\$ 30,100	116,433	30,044	(86,389)
Beginning fund balance			937,458	
Ending fund balance			\$ 967,502	

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Proprietary Funds

Statement of Net Position

June 30, 2015

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
<u>Assets and Deferred Outflows of Resources</u>	Electric	Harbor and Port	Funds	City Fuel
Current assets:				
Receivables:				
Accounts	\$ 54,133	110,446	164,579	-
Grants	86,414	-	86,414	-
Allowance for doubtful accounts	(14,000)	(20,400)	(34,400)	-
Inventories	-	-	-	97,317
Advances to other funds	-	-	-	36,861
Total current assets	126,547	90,046	216,593	134,178
Restricted cash - bond reserves and unspent bond proceeds	86,334	108,484	194,818	-
Property, plant and equipment:				
Construction in progress	851,012	-	851,012	-
Land	48,372	-	48,372	-
Infrastructure	3,955,382	21,720,359	25,675,741	871,489
Improvements	723,045	-	723,045	-
Buildings	2,203,494	355,860	2,559,354	-
Equipment	4,934,240	907,482	5,841,722	-
Total property, plant and equipment	12,715,545	22,983,701	35,699,246	871,489
Less accumulated depreciation	(5,874,600)	(7,138,792)	(13,013,392)	(305,018)
Net property, plant and equipment	6,840,945	15,844,909	22,685,854	566,471
Deferred outflows of resources -				
Pension deferrals	13,423	14,382	27,805	-
Total assets and deferred outflows of resources	\$ 7,067,249	16,057,821	23,125,070	700,649
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>				
Current liabilities:				
Accounts payable	\$ 13,808	766	14,574	-
Accrued payroll and related liabilities	10,258	10,400	20,658	-
Customer deposits	4,793	-	4,793	-
Accrued interest payable	3,804	16,961	20,765	-
Unearned revenue	-	-	-	-
Accrued leave	4,155	9,394	13,549	-
Current portion of revenue bonds	115,000	50,000	165,000	-
Loans payable	-	-	-	170,595
Total current liabilities	151,818	87,521	239,339	170,595
Noncurrent liabilities:				
Advances from other funds	337,288	467,124	804,412	-
Revenue bonds	1,010,000	1,000,000	2,010,000	-
Unamortized bond premium	102,255	18,158	120,413	-
Net pension liability	164,778	176,548	341,326	-
Total noncurrent liabilities	1,614,321	1,661,830	3,276,151	-
Deferred inflows of resources -				
Pension deferrals	15,345	16,441	31,786	-
Net position:				
Net investment in capital assets	5,613,690	14,776,751	20,390,441	566,471
Unrestricted (deficit)	(327,925)	(484,722)	(812,647)	(36,417)
Total net position	5,285,765	14,292,029	19,577,794	530,054
Total liabilities, deferred inflows of resources and net position	\$ 7,067,249	16,057,821	23,125,070	700,649

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015

	Enterprise Funds			Internal Service Fund
	Electric	Harbor and Port	Total Enterprise Funds	City Fuel
Operating revenues - charges for services	\$ 1,262,556	328,589	1,591,145	547,922
Operating expenses:				
Salaries and benefits	191,753	224,226	415,979	23,463
Other purchased services and supplies	569,773	95,522	665,295	551,907
Depreciation	308,707	477,172	785,879	43,574
Total operating expenses	1,070,233	796,920	1,867,153	618,944
Income (loss) from operations	192,323	(468,331)	(276,008)	(71,022)
Nonoperating revenues (expenses):				
Interest expense	(37,440)	(51,694)	(89,134)	(3,397)
Bond issuance costs	-	(700)	(700)	-
Loss on disposition of capital assets	-	(35,453)	(35,453)	-
Senior power subsidy	(49,069)	-	(49,069)	-
Interest rate subsidy	-	16,904	16,904	-
State PERS relief	6,761	7,224	13,985	-
Net nonoperating revenues (expenses)	(79,748)	(63,719)	(143,467)	(3,397)
Income (loss) before contributions and transfers	112,575	(532,050)	(419,475)	(74,419)
Other financing sources (uses):				
Capital contributions	60,329	-	60,329	-
Transfers in	-	85,400	85,400	74,419
Transfers out	(90,000)	(20,000)	(110,000)	-
Total other financing sources (uses)	(29,671)	65,400	35,729	74,419
Change in net position	82,904	(466,650)	(383,746)	-
Net position, beginning, as previously stated	5,407,821	14,978,279	20,386,100	530,054
Cumulative effect of a change in accounting principle	(204,960)	(219,600)	(424,560)	-
Net position, beginning, as restated	5,202,861	14,758,679	19,961,540	530,054
Ending net position	\$ 5,285,765	14,292,029	19,577,794	530,054

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Proprietary Funds

Statement of Cash Flows

Year Ended June 30, 2015

	Enterprise Funds			Internal Service Fund
	Electric	Harbor and Port	Total Enterprise Funds	City Fuel
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,257,805	324,471	1,582,276	547,922
Payments to suppliers	(616,669)	(103,340)	(720,009)	(308,287)
Payments to employees	(206,747)	(238,052)	(444,799)	(23,718)
Net cash flows (used) by from operating activities	434,389	(16,921)	417,468	215,917
Cash flows from noncapital financing activities:				
State energy assistance payments	-	-	-	-
Senior power subsidy	(49,069)	-	(49,069)	-
Increase (decrease) in advance from other funds	(88,697)	56,863	(31,834)	(457,534)
Fuel loan proceeds	-	-	-	170,595
Interest expense	-	-	-	(3,397)
Interest rate subsidy	-	16,904	16,904	-
Transfers from (to) other funds	(90,000)	(20,000)	(110,000)	74,419
Decrease (Increase) in deferred outflows-pension	(13,423)	(14,382)	(27,805)	-
Increase (Decrease) in deferred inflows-pension	(3,836)	(4,110)	(7,946)	-
Net cash flows from (used) by noncapital financing activities	(245,025)	35,275	(209,750)	(215,917)
Cash flows from capital and related financing activities:				
Bond issuance costs	-	(700)	(700)	-
Purchase of capital assets	(300,263)	-	(300,263)	-
Principal payments on long-term debt	(110,000)	(50,000)	(160,000)	-
Interest payments on long-term debt	(50,872)	(53,054)	(103,926)	-
Transfers from other funds	-	85,400	85,400	-
Net cash flows from (used) by capital and related financing activities	(461,135)	(18,354)	(479,489)	-
Net increase (decrease) in cash and cash equivalents	(271,771)	-	(271,771)	-
Beginning cash and cash equivalents	358,105	108,484	466,589	-
Ending cash and cash equivalents	\$ 86,334	108,484	194,818	-
Reconciliation of loss from operations to net cash provided (used) by operating activities:				
Income (loss) from operations	\$ 192,323	(468,331)	(276,008)	(71,022)
Adjustments to reconcile loss from operations to net cash flows from operating activities:				
Depreciation	308,707	477,172	785,879	43,574
Noncash expense - PERS relief	6,761	7,224	13,985	-
(Increase) decrease in assets:				
Accounts receivable (net)	(5,501)	(4,118)	(9,619)	-
Inventories	-	-	-	243,620
Increase (decrease) in liabilities:				
Accounts payable	(46,896)	(7,818)	(54,714)	-
Accrued payroll and related liabilities	439	1,355	1,794	(255)
Customer deposits	4,793	-	4,793	-
Unearned revenue	(4,043)	-	(4,043)	-
Accrued leave	(1,193)	96	(1,097)	-
Unfunded pension liability	(21,001)	(22,501)	(43,502)	-
Net cash flows from (used) by operating activities	\$ 434,389	(16,921)	417,468	215,917

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements

Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of King Cove was incorporated in 1949 under the laws of the State of Alaska as a first-class city. The City operates under a council-administrator form of government and provides a full range of services to its citizens including public safety, streets, health and social services, electric, water and sewer, boat harbor, community projects, and general administration.

The financial statements included in this report are for the City of King Cove only. There are no component units for which the City of King Cove is financially accountable, nor do any special financial relationships exist between the City and any other entity.

The accounting policies of the City of King Cove conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensate absences are recorded only to the extent they have matured.

Sales and business impact taxes, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major funds:

Major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

The *Water and Sewer Special Revenue Fund* accounts for the operation of the water and sewer system.

The *Permanent Fund* accounts for monies set aside to help provide future benefits for public safety and welfare, specifically emergency needs or essential public service needs of the citizens of King Cove.

Major proprietary funds:

The *Electric Enterprise Fund* is used to account for the operations of the electric utility.

The *Harbor and Port Enterprise Fund* is used to account for the operations of the harbor and port.

The *City Fuel Sales Internal Service Fund* is used to account for fuel purchases and sales which is predominately sold to the other proprietary funds.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

All of the funds listed as major meet accounting standards required quantitative criteria, except the Permanent Fund Special Revenue Fund which has been reported as major due to public interest.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State entitlement revenues.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Central Treasury

A central treasury is used to account for cash from all funds of the City to maximize interest income.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary funds consider all cash accounts to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

F. Inventories

Inventories are valued at cost (first-in, first-out). The cost is recorded as an expenditure or expense at the time individual inventory items are consumed.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “due to / from other funds” (i.e., the current portion of interfund loans) or “advances to / from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

H. Grants and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered “earned”; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

I. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

J. Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick leave benefits. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a phase 3 government for GASB Statement 34 purposes, the City records additions to infrastructure capital assets (e.g. roads and streets) prospectively from the GASB Statement 34 implementation date, which was June 30, 2004. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Buildings	20-50 years
Improvements other than buildings	20-50 years
Service Lines	20 years
Machinery and equipment	3-20 years

L. Long-Term Debt

In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

M. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of the resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form- prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council—the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

O. Unearned Grant Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as unearned revenue.

P. Deferred Inflows/Outflows of Resources

The City follows the provisions of GASB statement number 63, where applicable. Deferred outflows of resources represent the consumption of the government's net position or fund balance that is applicable to a future reporting period. Deferred inflow of resources represents the acquisition of net position or fund balance that is applicable to a future reporting period. Revenues that have been earned but are not yet available in the governmental funds are now reported as deferred inflows.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

R. Comparative Data

Comparative data for the prior year have been presented in some of the accompanying financial statements in order to provide an understanding of changes in the City's financial operations.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to May 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The City Administrator is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Appropriations for these funds lapse at year end to the extent they have not been expended or encumbered.
6. Budgets for governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

B. Deficits

The following funds had deficit positions in fund balance as of June 30, 2015:

Special Revenue Funds:	
Water and Sewer	\$ (567,975)

In addition the following proprietary funds had deficit equity in the unrestricted category:

Electric Enterprise Fund	\$ (327,925)
Harbor and Port Enterprise Fund	(484,722)
City Fuel Internal Service Fund	(36,417)

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

III. CASH AND CASH EQUIVALENTS

Except for the Permanent Fund, all cash is maintained in a central treasury and is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and cash equivalents" or in the case of "negative cash," is included in "due to other funds" or "advances to other funds." All of the City's cash is held in the form of demand accounts including checking, savings, short-term certificates of deposit, and overnight repurchase agreements held by commercial banks. "Pooled investments" are entirely comprised of money-market cash equivalents.

Investment policy

The investment policy authorizes the City to invest in certificates of deposit, U.S. Treasury securities, government bonds and notes, money markets, mutual funds, and an investment pool authorized by Alaska Statutes. Investments are carried at fair value.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value changes in market interest rates.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAm for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. The share value of investments in the AMLIP is approximately equal to fair value.

Custodial credit risk

Custodial credit risk is that in the event of a bank failure, the City's deposits may not be returned to it. To limit credit risk, City policy requires that all deposits be insured or covered by collateralization agreements.

IV. INVESTMENT IN SOUTHWEST GOVERNMENTS, LLC

The City purchased a 10 percent ownership in Southwest Governments, LLC, an investment company formed to buy an office building in Anchorage, Alaska. The office building was purchased in May 2002 and is currently rented to outside parties, including the group that owns Southwest Governments, LLC. The City's investment in Southwest Governments, LLC, is recorded on the cost method.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

V. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 414,390	6,000	-	-	420,390
Construction in Progress	74,874	22,578	-	-	97,452
Total	<u>489,264</u>	<u>28,578</u>	<u>-</u>	<u>-</u>	<u>517,842</u>
Capital assets being depreciated:					
Buildings	4,171,730	27,988	-	-	4,199,718
Improvements	22,584,412	-	-	(871,489)	21,712,923
Equipment	1,651,268	128,589	(361,256)	-	1,418,601
Total	<u>28,407,410</u>	<u>156,577</u>	<u>(361,256)</u>	<u>(871,489)</u>	<u>27,331,242</u>
Less accumulated depreciation:					
Buildings	1,786,467	120,992	-	-	1,907,459
Improvements	4,170,096	581,150	-	(261,444)	4,489,802
Equipment	1,152,442	81,380	(352,000)	-	881,822
Total	<u>7,109,005</u>	<u>783,522</u>	<u>(352,000)</u>	<u>(261,444)</u>	<u>7,279,083</u>
Total assets being depreciated, net	<u>21,298,405</u>	<u>(626,945)</u>	<u>(9,256)</u>	<u>(610,045)</u>	<u>20,052,159</u>
Total Governmental Activities, net	\$ <u>21,787,669</u>	<u>(598,367)</u>	<u>(9,256)</u>	<u>(610,045)</u>	<u>20,570,001</u>

Beginning balances include \$871,489 equipment and \$261,444 accumulated depreciation from the City Fuel Internal Service Fund. These amounts have been transferred to Business-Type Activities in the current year.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 48,372	-	-	-	48,372
Construction in Progress	612,725	273,740	(35,453)	-	851,012
Total	<u>661,097</u>	<u>273,740</u>	<u>(35,453)</u>	<u>-</u>	<u>899,384</u>
Capital assets being depreciated:					
Buildings	2,559,354	-	-	-	2,559,354
Improvements	26,398,786	-	-	871,489	27,270,275
Equipment	5,815,199	26,523	-	-	5,841,722
Total	<u>34,773,339</u>	<u>26,523</u>	<u>-</u>	<u>871,489</u>	<u>35,671,351</u>
Less accumulated depreciation:					
Buildings	1,172,564	67,906	-	-	1,240,470
Improvements	8,308,428	591,673	-	261,444	9,161,545
Equipment	2,746,521	169,874	-	-	2,916,395
Total	<u>12,227,513</u>	<u>829,453</u>	<u>-</u>	<u>261,444</u>	<u>13,318,410</u>
Total assets being depreciated, net	<u>22,545,826</u>	<u>(802,930)</u>	<u>-</u>	<u>610,045</u>	<u>22,352,941</u>
Total Business-Type Activities, net	<u>\$ 23,206,923</u>	<u>(529,190)</u>	<u>(35,453)</u>	<u>610,045</u>	<u>23,252,325</u>

In the current year \$871,489 equipment and \$261,444 accumulated depreciation from the City Fuel Internal Service Fund were transferred from Governmental Activities to Business-Type Activities.

Depreciation expense for 2015 was charged to functions of the City as follows:

Governmental activities:

Administration	\$ 9,244
Public safety	41,478
Public works	421,769
Community services	84,639
Water and sewer	216,037
Solid waste	10,355
Total governmental activities	<u>\$ 783,522</u>

Business-type activities:

Electric	308,707
Gas and Oil	477,172
City Fuel Internal Service Fund	43,574
Total business-type activities	<u>\$ 829,453</u>

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

VI. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

A schedule of interfund balances, advances and transfers for the year ended June 30, 2015, follows:

Advances to other funds -

These are longer term and repayment terms have not been established.

Advance from General Fund to:

Electric Enterprise Fund	\$ 337,288
Harbor and Port Enterprise Fund	<u>467,124</u>

Advance from City Fuel Internal Service Fund to

General Fund	<u>36,861</u>
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Total advances to other funds \$ 841,273

Interfund receivables and payables are shown as "Due from other funds" and "Due to other funds" in each of the individual funds. The composition of interfund balance as of June 30, 2015, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Special Revenue Fund	\$ 593,280
Permanent Special Revenue Fund	General Fund	518,339
Nonmajor Funds	General Fund	<u>78,194</u>
		<u>\$ 1,189,813</u>

Interfund transfers for the year ended June 30, 2015 consisted of the following:

<u>Transfers in</u>							
<u>Transfers out</u>	<u>General Fund</u>	<u>Permanent Special Revenue Fund</u>	<u>Water and Sewer Special Revenue Fund</u>	<u>Nonmajor Funds</u>	<u>Harbor and Port</u>	<u>City Fuel</u>	<u>Total</u>
General Fund	\$ -	-	20,000	292,284	85,400	74,419	472,103
Electric Enterprise Fund	60,000	30,000	-	-	-	-	90,000
Harbor and Port Enterprise Fund	-	-	-	20,000	-	-	20,000
	<u>\$ 60,000</u>	<u>30,000</u>	<u>20,000</u>	<u>312,284</u>	<u>85,400</u>	<u>74,419</u>	<u>582,103</u>

Transfers were made to fund operations and capital projects.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

VII. LONG – TERM DEBT

In June 2014, the City issued revenue bonds to early retire \$834,889 in outstanding 1995 electric revenue bonds and to fund the Waterfall Creek hydroelectric project. The face value of the bonds was \$1,235,000 with a premium \$117,739. Interest varies from 3.0% to 5.0% until they are repaid in 2039.

The following is a summary of long-term debt transactions for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Retired	Balance June 30, 2015	Due Within One Year
Governmental Activities					
\$1,375,000 USDA water Project loan, due in semi-annual Installments of \$37,300 including Interest through March 2040; Interest at 4.5%	\$ 1,124,211	-	28,724	1,095,487	25,992
\$300,000 Delta Creek water Project loan, due in annual Installments of \$15,000 plus Interest through January 2027 Interest at 1.5%	195,000	-	15,000	180,000	15,000
Caterpillar Financial Services Note payable, due in monthly Installments of \$1,931 through August 2015	27,033	-	27,033	-	-
Wells Fargo Bank loan due in Monthly installments of \$1,810 Including interest through November 2018 Interest at 11.25%	-	69,700	8,534	61,166	15,687
Landfill closure costs	933,286	35,896	-	969,182	-
Accrued leave	156,963	35,328	54,192	138,099	-
Total governmental activities	\$ <u>2,436,493</u>	<u>140,924</u>	<u>133,483</u>	<u>2,443,934</u>	<u>56,679</u>

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

	Balance July 1, 2014	Additions	Retired	Balance June 30, 2015	Due Within One Year
Business-type Activities					
\$1,235,000 Electric revenue bond, Due in annual installments of \$110,000 to \$175,000 through 2039; Interest at 3.00% to 5.00%	\$ 1,235,000	-	110,000	1,125,000	115,000
\$745,000 Harbor revenue bond, Due in annual installments of \$30,000 to \$50,000 through 2030; Interest at 2.00% to 5.43%	660,000	-	30,000	630,000	30,000
\$500,000 Harbor revenue bond, Due in annual installments of \$20,000 to \$35,000 through 2029 Interest at 2.00% to 6.04%	440,000	-	20,000	420,000	20,000
Unamortized bond premium	137,032	-	16,619	120,413	-
Accrued leave	14,646	1,359	2,456	13,549	13,549
Total business-type activities	\$ 2,486,678	1,359	179,075	2,308,962	178,549

The annual requirements to pay all general long-term debt outstanding (exclusive of accrued leave and landfill closure costs) as of June 30, 2015 are as follows:

Governmental Activities:

Year Ended June 30,	Water Loans			Wells Fargo Note
	Principal	Interest	Total	Principal
2016	\$ 40,992	51,309	92,301	15,687
2017	42,175	49,900	92,075	17,695
2018	43,412	48,438	91,850	19,943
2019	44,705	46,920	91,625	7,841
2020	46,056	45,344	91,400	-
2021-2025	252,811	200,814	453,625	-
2026-2030	252,123	151,552	403,675	-
2031-2035	277,473	95,527	373,000	-
2036-2039	275,740	22,663	298,403	-
	\$ 1,275,487	712,467	1,987,954	61,166

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

Business-type activities

Year Ended June 30,	Electric Revenue Bonds				Harbor Revenue Bonds			
	Principal	Interest	Federal Subsidy	Total	Principal	Interest	Federal Subsidy	Total
2016	\$ 115,000	50,250	(7,717)	157,533	50,000	51,704	(18,255)	83,449
2017	115,000	45,650	(7,718)	152,932	55,000	49,904	(18,254)	86,650
2018	120,000	41,050	(7,717)	153,333	60,000	47,666	(17,926)	89,740
2019	125,000	35,050	(7,718)	152,332	60,000	45,241	(17,567)	87,674
2020	135,000	28,800	(7,717)	156,082	60,000	42,802	(17,173)	85,629
2021-2025	100,000	100,250	(35,088)	165,162	330,000	168,726	(68,736)	429,990
2026-2030	120,000	74,500	(26,075)	168,425	385,000	74,547	(30,481)	429,066
2031-2035	150,000	47,000	(16,450)	180,550	50,000	1,360	(611)	50,749
2036-2039	145,000	14,800	(5,180)	154,620	-	-	-	-
	<u>\$ 1,125,000</u>	<u>437,350</u>	<u>(121,380)</u>	<u>1,440,970</u>	<u>1,050,000</u>	<u>481,950</u>	<u>(189,003)</u>	<u>1,342,947</u>

* The harbor revenue bonds and electric revenue bonds were issued pursuant to Economic Recovery Zone legislation as part of the American Recovery and Reinvestment Act. Terms of the legislation allow for the Internal Revenue Service to rebate a portion of interest paid. The rebate is subject to annual appropriation by Congress. The rebate is recorded as revenue only upon receipt in these financial statements.

VIII. MUNICIPAL LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, generally accepted accounting principles require that the City report a portion of these closure and post-closure care costs each period based on landfill capacity used as of each balance sheet date.

The \$969,182 (an increase of \$35,896 from June 30, 2014) reported as landfill closure costs payable at June 30, 2015, represents the cumulative amount reported to date based on a study conducted several years ago. The final closure costs may vary significantly from the above estimate.

At June 30, 2015, the City has not reserved or designated any fund balance to fund the cost of closure and post closure monitoring, nor have any assets been restricted for this purpose.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

IX. FUND BALANCES

Fund balances reported in the City's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	General	Permanent Fund Special Revenue	Water and Sewer Special Revenue	Nonmajor Funds	Totals
Nonspendable:	\$				
Long-term advances	804,412	-	-	-	804,412
Investment in Southwest Governments, LLC	118,136	-	-	-	118,136
Total nonspendable	<u>922,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>922,548</u>
Committed – Permanent Fund	-	967,502	-	-	967,502
Assigned:					
Solid Waste	-	-	-	28,461	28,461
General capital projects	-	-	-	11,225	11,225
Vehicle and machinery replacement	-	-	-	64,174	64,174
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,860</u>	<u>103,860</u>
Unassigned (deficit)	<u>881,001</u>	<u>-</u>	<u>(567,975)</u>	<u>-</u>	<u>313,026</u>
Total fund balances	\$ <u>1,803,549</u>	<u>967,502</u>	<u>(567,975)</u>	<u>103,860</u>	<u>2,306,936</u>

X. EMPLOYEE RETIREMENT SYSTEM PLAN

The City follows Governmental Accounting Standards Board (GASB) Codification P20, Accounting for Pensions by State and Local Governmental Employees and GASB Codification P50, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. GASB Codification P20 and GASB Codification P50 establish uniform standards for the measurement, recognition and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan both systems also administer other post-employment benefit plans.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature.

Summary of Significant Accounting Policies. The financial statements for PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

PERS acts as the common investment and administrative agencies for the following multiple-employer plans:

Plan Name	Type of Plan
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (DB)	
Occupational Death and Disability Plan	Cost-sharing, Defined Benefits OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Benefits OPEB
Retiree Medical Plan	Cost-sharing, Defined Benefits OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

Other Postemployment Benefit Plans (OPBP)

Occupational Death and Disability Plan (DB)

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System.

Alaska Retiree Healthcare Trust Plan (DB)

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF).

Healthcare Reimbursement Arrangement Plan (DC)

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)

Plan Description. The City participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/drb/pers>.

Pension Benefits. All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 159 employers participating in PERS, including the State of Alaska and 158 political subdivisions and public organizations.

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006 and who have not reached age 60 may elect to pay for major medical benefits.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

Post Retirement Pension Adjustments. Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

Funding Policy. In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

Salary Floor. During the 25th legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

Termination Costs. If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2015 the past service rate is 20.90%.

Employee Contribution Rate. The City PERS active members are required to contribute 6.75% (3.85% pension costs and 2.90% OPEB) and non-teacher City employees are required to contribute 9.60% (5.47% pension and 4.13% OPEB) of their annual covered salary.

Employer and Other Contribution Rates. There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

Employer Effective Rate: This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (12.54% pension costs and 9.46% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 44.03% (25.09% pension and 18.94% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. Note that in 2015, the State legislature appropriated a one-time contribution to the plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 is 42.41% (100% pension costs), which significantly exceeds the statutory amount. On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate and a 4.90% healthcare discount rate. The current rate is 88.12% (33.05% pension and 55.07% OPEB).

Employer contributions for the years ended June 30, 2015, 2014 and 2013 are as follows:

		Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2015	\$	95,878	72,147	168,025
2014		91,956	98,179	190,135
2013		84,184	107,342	191,256

For the year ended June 30, 2015 the State of Alaska contributed \$440,516 or 42.41% (pension cost) on-behalf of the City, which has been recorded in the fund financial statement under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2014 to a total of \$48,293, to represent the on-behalf contribution made by the State under the full accrual basis of accounting.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the City reported a liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 1,176,986
State's proportionate share of the net pension liability	<u>1,058,396</u>
Total	\$ <u>2,235,382</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2014, the City's proportion was 0.0252%, which is a decrease of 0.001% from its proportion measured as of June 30, 2013.

Based on the measurement date of June 30, 2014, the City recognized pension expense of \$131,941 for the year ended June 30, 2015. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(108,786)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(820)
City contributions subsequent to the measurement date	<u>95,878</u>	<u>-</u>
Total	\$ <u>95,878</u>	<u>109,606</u>

\$95,878 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ 27,401
2017	27,401
2018	27,402
2019	<u>27,402</u>
Total	\$ <u>109,606</u>

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

For the year ended June 30, 2015, the City recognized \$27,401 of amortization of the deferred inflows of resources.

Actuarial Assumptions: The total pension liability in the June 30, 2014 (latest available) actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions were based upon the results of an actuarial experience study performed as of June 30, 2013.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

Retirement

Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.

Marriage and age difference

Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	6.77%
International Equity	7.50%
Private Equity	10.86%
Fixed Income	2.05%
Real Estate	3.63%
Absolute Return	4.80%

Discount Rate: The discount rate used to measure the total pension liability was 8.00%. The projection of the cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net pension was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan calculated using the discount rate of 8%, as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

		1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
Net pension liability	\$	1,543,256	1,176,987	868,554

Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan (DC)

Plan Description and Funding Requirements. City's and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.66% for the retiree medical plan (DB), 0.22% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2015 are as follows:

	Employer	Employee
Defined contribution – pension (DC)	\$ 21,947	35,114
Other post-employment benefits (DB):		
Retiree medical plan	7,286	-
Occupational death and disability benefits	1,369	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA)	23,363	-
Defined benefit unfunded liability (DBUL)	-	-
	\$ 53,965	35,114

Actual contributions were equal to the annual required contributions. The Defined Benefit Unfunded Liability (DBUL) is computed as the difference between the statutory employer contribution rate less employer contributions for the defined contribution, major medical, occupational death and disability and the health reimbursement arrangement. The DBUL calculation is allocated 57% pension and 43% OPEB.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

Employer contributions for the years ended June 30, 2015, 2014 and 2013 are as follows:

		Pensions	Other Post-Employment Benefits	Total
2015	\$	21,947	32,018	53,965
2014		25,409	29,433	54,842
2013		25,194	27,751	52,945

Actual contributions were equal to the annual required contributions.

XII. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The provisions of the Plan require that all assets and income of the Plan be held in trust for the exclusive benefit of participants and their beneficiaries.

XIII. PERMANENT FUND

City Code 5.05.225 established a capital reserve account (Permanent Fund). It is the City's intent in establishing this fund that it be used to purchase new equipment, replace existing equipment, or make major repairs to existing equipment or facilities so the City has adequate capital facilities and equipment to provide the public services it delivers. In addition, the fund can be used for the public safety and welfare of residents of the City if emergency needs exist.

XIV. RISK MANAGEMENT

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City participates in the Alaska Municipal League Joint Insurance Association (AML/JIA), which provides insurance coverage for property and contents damage, torts, general and automobile liability, and worker's compensation. The AML/JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based on each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2015. Coverage limits and the deductibles on the policies have stayed relatively constant for the last several years. Claims incurred have not exceeded coverage limits for the last three years.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

XV. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note I-Q to the financial statements, the City participates in the Alaska Public Employees' Retirement System (PERS). In 2015, the City adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflows and outflows of resources), as of the beginning of the City's fiscal year. As a result of the implementation of these statements, the City has recorded an opening balance adjustment to increase liabilities and to decrease opening net position as follows:

Governmental Activities:

Opening net position, as originally presented	\$	21,019,534
Internal service fund conversion		(79,777)
Change in accounting principle adjustment		<u>(1,039,441)</u>
Opening net position, as restated	\$	<u>19,900,316</u>

Business-Type Activities:

Opening net position, as originally presented	\$	20,836,377
Internal service fund conversion		79,777
Change in accounting principle adjustment		<u>(424,560)</u>
Opening net position, as restated	\$	<u>20,491,594</u>

XVI. CONTINGENT LIABILITIES

The City participates in a number of State and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

XVII. TRANSFER OF NET POSITION OF CITY FUEL INTERNAL SERVICE FUND

Effective July 1, 2013, the City converted its City Fuel Fund from an enterprise fund to an internal service fund. The substantial majority of fuel sales were to other departments or funds within the City. The City determined that the Electric Enterprise Fund uses 85% of the fuel, Harbor and Port Enterprise Fund uses 3%, and the remaining 12% is used by the General Government. The Net Position of the City Fuel Internal Service Fund was allocated between Governmental Activities and Business-Type Activities based on this estimated usage. Financial reporting standards for governmental entities state that internal service funds should be reported as either Governmental Activities or Business-Type Activities based on the primary purpose of the fund, but not allocated between the two categories. Therefore, beginning net position, at the government-wide financial statement level, has been restated to reflect the primary function of the internal service fund. The net restatement amounts are as follows:

Government-Wide Financial Statements

<u>Net Position</u>		<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Beginning net position	\$	21,019,534	20,836,377	41,855,911
Adjustment from transfer		(79,777)	79,777	-
Beginning net position, restated	\$	<u>20,939,757</u>	<u>20,916,154</u>	<u>41,855,911</u>

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

XVIII. SUBSEQUENT EVENTS

In September 2015 the City issued municipal bonds in the amount of \$980,000 which are secured by the future revenues of the Electric Utility. Principal and interest payments are due beginning October 1, 2020 and the applicable interest rate varies between 4.00% – 5.25% by year.

XVIV. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 72 – *Fair Value Measurement and Application*. Effective for periods beginning after June 15, 2015.
- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Effective for fiscal years beginning after June 15, 2015.
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective for fiscal years beginning after June 15, 2016.
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for fiscal years beginning after June 15, 2017.
- GASB 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Effective for fiscal years beginning after June 15, 2015.
- GASB 77 – *Tax Abatement Disclosures*. Effective for fiscal years beginning after December 15, 2015.

Statements 73, 76 and 77 are not expected to have any significant impact on the financial statements of the City.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements.

CITY OF KING COVE, ALASKA

Notes to the Basic Financial Statements, Continued

GASB Statements No. 74 and 75, the objective of these Statements is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position. Note disclosures and required supplemental information are addressed in these statements. GASB Statement 75 establishes standards for measuring liabilities, deferred inflow and outflows of resources, and expenses/expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KING COVE, ALASKA

Schedule of The City's Proportionate Share of the Net Pension Liability

Public Employees Retirement System

June 30, 2015

City's proportion of the net pension liability (asset)	0.0252%
City's proportionate share of net pension liability (asset)	\$ 1,176,986
State's proportionate share of the net pension liability (asset) associated with the City	1,058,396
Total	\$ <u>2,235,382</u>
City's covered employee payroll	\$ 864,250
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	136%
Plan fiduciary net position as a percentage of the total pension liability	62.37%

Notes to schedule

1. Information presented for 2015 is based upon Plan measurement date June 30, 2014.
2. This schedule is intended to present 10 years of information. Additional years will be included as it becomes available.

CITY OF KING COVE, ALASKA
Schedule of The City's Contributions
Public Employees Retirement System
June 30, 2015

Contractually required contribution	\$ 95,878
Contributions in relation to the contractually required contribution	(95,878)
Contribution deficiency (excess)	<u>-</u>
City's covered-employee payroll	\$ 764,800
Contributions as a percentage of covered employee payroll	12.54%

Notes to schedule

1. Valuation date: June 30, 2013
 2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.
- Methods and assumptions used to determine contribution rates:
3. Actuarial cost method: Entry Age Normal.
 4. Amortization method: Level dollar, closed.
 5. Amortization period: 25 years, layered.
 6. Equivalent single amortization period: 17 years.
 7. Asset valuation method: Actuarial value that smooths investment gains and losses over 5 years, constrained to a range of 80% - 120% of fair value.
 8. Inflation: 3.12% per annum.
 9. Salary increases: Ranges from 6.36% to 4.12% based on service for Peace Officer/Firefighter. Ranges from 9.60% to 3.62% based on age and service for All Others.
 10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
 11. Retirement age: An age-related assumption is used for participants not yet receiving payments.
 12. Mortality: 1994 Group Annuity Mortality (GAM) Table, sex distinct, 1994 Base Year without margin projected to 2013 using projection Scale AA, 80% of the male table for males and 60% of the female table for females for pre-termination mortality for Peace Officer/Firefighter, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females for pre-termination mortality for All Others and the 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females for post-termination mortality.
 13. This schedule is intended to present 10 years of information. Additional years will be included as it becomes available.

ADDITIONAL SUPPLMENTARY INFORMATION

CITY OF KING COVE, ALASKA
General Fund
Balance Sheet
June 30, 2015
With Comparative Amounts for 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 718,928	-
Receivables:		
Accounts	48,802	12,130
Sales taxes	221,930	205,547
Other	2,379	-
Due from other funds	593,280	-
Advances to other funds	804,412	1,458,854
Investment in Southwest Governments, LLC	<u>118,136</u>	<u>118,136</u>
Total assets	\$ <u><u>2,507,867</u></u>	<u><u>1,794,667</u></u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	19,032	81,814
Accrued payroll and related liabilities	45,879	59,404
Unearned revenues	6,013	-
Due to other funds	596,533	-
Advances from other funds	<u>36,861</u>	<u>-</u>
Total liabilities	<u><u>704,318</u></u>	<u><u>141,218</u></u>
Fund balances:		
Nonspendable:		
Advances to other funds	804,412	1,458,854
Investment in Southwest Governments, LLC	118,136	118,136
Unassigned	<u>881,001</u>	<u>76,459</u>
Total fund balances	<u><u>1,803,549</u></u>	<u><u>1,653,449</u></u>
Total liabilities and fund balance	\$ <u><u>2,507,867</u></u>	<u><u>1,794,667</u></u>

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and ActualYear Ended June 30, 2015
With Comparative Amounts for 2014

	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Taxes:				
Sales tax	\$ 1,525,000	1,530,330	5,330	1,559,087
Business impact tax	100,000	100,000	-	100,000
Total taxes	<u>1,625,000</u>	<u>1,630,330</u>	<u>5,330</u>	<u>1,659,087</u>
Intergovernmental:				
Aleutians East Borough -				
Economic Development Grant	100,000	85,039	(14,961)	20,000
Federal sources:				
IRR Roads	35,000	44,302	9,302	38,005
FEMA Firefighter Grant	47,000	47,000	-	-
State of Alaska:				
Shared fisheries business tax	510,155	510,155	-	456,469
State PERS relief	98,000	252,927	154,927	96,426
State revenue sharing	140,644	140,644	-	141,980
State liquor license	4,000	4,000	-	5,000
Extraterritorial fish tax	30,539	30,539	-	41,703
State of Alaska PCE	40,000	30,125	(9,875)	38,606
Total intergovernmental	<u>1,005,338</u>	<u>1,144,731</u>	<u>139,393</u>	<u>838,189</u>
Charges for services:				
Public safety revenue	7,250	70	(7,180)	6,065
Co-op and teen center revenue	32,000	23,383	(8,617)	28,344
Recreational programs	10,000	15,508	5,508	39,117
Total charges for services	<u>49,250</u>	<u>38,961</u>	<u>(10,289)</u>	<u>73,526</u>
Other revenues - miscellaneous	<u>-</u>	<u>22,329</u>	<u>22,329</u>	<u>14,964</u>
Total revenues	<u>2,679,588</u>	<u>2,836,351</u>	<u>156,763</u>	<u>2,585,766</u>

(continued)

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures:				
General government				
City Council				
Salaries	\$ 7,800	7,200	600	7,200
Employee benefits	54,125	55,499	(1,374)	63,527
Travel and per diem	3,000	2,746	254	2,332
Due and fees	600	2,050	(1,450)	2,951
Total City Council	<u>65,525</u>	<u>67,495</u>	<u>(1,970)</u>	<u>76,010</u>
Planning:				
Salaries	41,200	40,297	903	41,826
Stipends	-	250	(250)	200
Employee benefits	11,553	21,593	(10,040)	13,408
Contractual	10,000	-	10,000	4,760
Travel and per diem	-	-	-	1,825
Insurance	1,577	1,577	-	1,361
Deferred compensation	1,500	1,200	300	1,200
Total planning	<u>65,830</u>	<u>64,917</u>	<u>913</u>	<u>64,580</u>
Administration:				
Salaries	115,530	115,569	(39)	115,361
Employee benefits	81,044	89,942	(8,898)	63,377
Contractual	2,500	2,135	365	1,875
Travel and per diem	8,000	7,240	760	4,695
Telephone	7,600	7,314	286	7,321
Postage	5,500	5,534	(34)	4,560
Supplies	9,500	12,271	(2,771)	10,985
Utilities - diesel	4,000	3,533	467	4,402
Utilities - electric	2,500	2,141	359	1,953
Dues and fees	3,000	2,187	813	4,598
Insurance	6,307	6,307	-	5,444
Deferred compensation	6,000	5,200	800	3,400
Total administration	<u>251,481</u>	<u>259,373</u>	<u>(7,892)</u>	<u>227,971</u>

(continued)

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures, continued:				
General government, continued:				
Anchorage office:				
Salaries	\$ 128,350	128,039	311	128,888
Employee benefits	45,450	53,110	(7,660)	36,672
Contractual	60,000	56,685	3,315	52,871
Travel and per diem	35,000	36,581	(1,581)	35,100
Telephone	4,000	3,978	22	5,296
Postage	250	115	135	123
Supplies	6,000	4,526	1,474	6,029
Rent	15,000	18,241	(3,241)	17,157
Dues and fees	5,000	5,091	(91)	3,289
Insurance	4,731	4,731	-	4,083
Miscellaneous	500	741	(241)	526
Deferred compensation	4,350	3,270	1,080	4,350
Total Anchorage office	<u>308,631</u>	<u>315,108</u>	<u>(6,477)</u>	<u>294,384</u>
Total general government	<u>691,467</u>	<u>706,893</u>	<u>(15,426)</u>	<u>662,945</u>
Public safety:				
Salaries	220,804	230,286	(9,482)	224,135
Employee benefits	133,805	197,208	(63,403)	127,244
Stipends	10,000	9,900	100	8,839
Contractual	94,082	93,150	932	94,012
Travel and per diem	2,500	2,300	200	7,090
Telephone	14,000	14,470	(470)	11,919
Postage	1,500	1,255	245	1,890
Supplies	18,000	18,379	(379)	31,263
Utilities - diesel	6,000	5,368	632	6,796
Utilities - electric	5,500	5,563	(63)	5,635
Dues and fees	200	179	21	100
Insurance	32,025	32,085	(60)	27,219
Fuel	10,000	10,817	(817)	11,593
Miscellaneous	6,500	6,776	(276)	-
Animal control	35,000	33,061	1,939	9,013
Deferred compensation	6,000	6,000	-	6,000
Equipment	48,529	49,229	(700)	-
Total public safety	<u>644,445</u>	<u>716,026</u>	<u>(71,581)</u>	<u>572,748</u>

(continued)

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures, continued:				
Public works:				
Salaries	\$ 173,227	164,092	9,135	223,437
Employee benefits	93,828	128,244	(34,416)	122,873
Contractual	-	-	-	215
Travel and per diem	5,000	4,024	976	6,851
Telephone	3,700	3,155	545	5,741
Supplies	55,000	45,715	9,285	71,379
Utilities - electric	26,000	27,966	(1,966)	25,891
Insurance	33,114	33,114	-	28,678
Fuel - gas	5,500	6,932	(1,432)	8,563
Fuel - diesel	20,000	11,782	8,218	15,385
Miscellaneous	-	-	-	-
Deferred compensation	2,100	2,100	-	2,102
Total public works	<u>417,469</u>	<u>427,124</u>	<u>(9,655)</u>	<u>511,115</u>
Community services -				
recreational programs:				
Salaries	91,560	75,915	15,645	93,031
Employee benefits	37,670	34,317	3,353	36,493
Telephone	5,500	5,378	122	5,154
Supplies	25,000	21,763	3,237	33,914
Supplies - school building	5,000	4,156	844	7,539
Utilities - diesel	30,000	27,198	2,802	37,979
Utilities - electric	22,000	22,022	(22)	33,077
Dues and fees	-	-	-	-
Insurance	11,038	11,038	-	9,526
Fuel - gas	1,500	4,607	(3,107)	3,066
Miscellaneous	1,400	1,432	(32)	-
Bank fees	100	-	100	50
Total community services	<u>230,768</u>	<u>207,826</u>	<u>22,942</u>	<u>259,829</u>

(continued)

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures, continued:				
Other:				
Audit and accounting assistance	\$ 34,800	34,800	-	36,913
Legal	33,000	32,709	291	37,059
Technical support	22,500	18,929	3,571	-
Elections	600	600	-	600
Senior citizen power subsidy	49,000	49,069	(69)	40,981
Bank fees	15,000	15,449	(449)	15,901
Donations	6,000	5,820	180	12,513
Aleutian grant expenditures	-	50,718	(50,718)	53,375
Miscellaneous	10,000	8,185	1,815	-
Total other	<u>170,900</u>	<u>216,279</u>	<u>(45,379)</u>	<u>197,342</u>
Total expenditures	<u>2,155,049</u>	<u>2,274,148</u>	<u>(119,099)</u>	<u>2,203,979</u>
Excess of revenues over expenditures	524,539	562,203	37,664	381,787
Other financing sources (uses):				
Transfers in - Electric Fund				
Electric fund	60,000	60,000	-	-
Transfers out:				
Special Revenue Funds:				
Water and Sewer	(20,000)	(20,000)	-	(20,000)
Housing and Community Projects	(49,000)	(81,806)	(32,806)	(50,000)
Permanent Fund	-	-	-	-
Capital Project Funds:				
General Capital Projects	(175,500)	(210,478)	(34,978)	(100,000)
Vehicle and Machinery Replacement	-	-	-	(75,000)
Harbor and Port Enterprise Fund	(85,400)	(85,400)	-	(86,300)
City Fuel Internal Service Fund - Deficit/Subsidy	(191,203)	(74,419)	116,784	-
Total other financing uses	<u>(461,103)</u>	<u>(412,103)</u>	<u>49,000</u>	<u>(331,300)</u>
Net change in fund balance	\$ <u>63,436</u>	150,100	<u>86,664</u>	50,487
Beginning fund balance		<u>1,653,449</u>		<u>1,602,962</u>
Ending fund balance		\$ <u>1,803,549</u>		<u>1,653,449</u>

CITY OF KING COVE, ALASKA

Water and Sewer Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance (Deficit) - Budget and ActualYear Ended June 30, 2015
With Comparative Amounts for 2014

	2015			2014
	Budget	Actual	Variance	Actual
Revenues:				
Local - Charges for services:				
Water	\$ 80,000	67,540	(12,460)	62,511
Water - Peter Pan Seafood	205,000	111,867	(93,133)	176,821
Sewer	38,000	38,571	571	35,562
Sewer - Peter Pan Seafood	24,000	16,000	(8,000)	24,480
Finance charges	100	70	(30)	80
Other	-	4,400	4,400	-
Intergovernmental:				
State PERS relief	6,400	23,415	17,015	6,078
State energy assistance grant	25,000	18,828	(6,172)	24,129
Total revenues	<u>378,500</u>	<u>280,691</u>	<u>(97,809)</u>	<u>329,661</u>
Expenditures:				
Water:				
Salaries	40,045	39,095	950	41,615
Employee benefits	15,090	15,679	(589)	13,101
Travel and per diem	2,500	2,496	4	3,018
Contractual	8,900	6,532	2,368	-
Professional services	-	2,370	(2,370)	-
Telephone	4,400	3,913	487	3,670
Supplies	22,000	21,164	836	33,378
Utilities - electric	135,000	134,350	650	132,527
Utilities - heat	9,000	9,433	(433)	10,332
Rent	2,800	2,928	(128)	5,543
Dues and fees	750	1,165	(415)	1,350
Insurance	4,731	4,730	1	4,083
Fuel - gas	5,000	6,000	(1,000)	5,566
Test fees	4,500	1,362	3,138	2,485
Deferred compensation	750	705	45	405
Total water	<u>\$ 255,466</u>	<u>251,922</u>	<u>3,544</u>	<u>257,073</u>

(continued)

CITY OF KING COVE, ALASKA

Water and Sewer Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance
(Deficit) - Budget and Actual, continued

	2015			2014
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Sewer:				
Salaries	\$ 32,375	33,750	(1,375)	28,220
Employee benefits	18,615	32,378	(13,763)	15,743
Supplies	5,000	13,089	(8,089)	10,690
Utilities - electric	6,500	6,478	22	5,921
Fuel - diesel	1,000	799	201	988
Equipment	5,000	-	5,000	6,044
Deferred compensation	500	405	95	405
Total sewer	<u>68,990</u>	<u>86,899</u>	<u>(17,909)</u>	<u>68,011</u>
Debt service:				
Principal	33,000	43,724	(10,724)	33,537
Interest	59,000	48,801	10,199	59,213
Total debt service	<u>92,000</u>	<u>92,525</u>	<u>(525)</u>	<u>92,750</u>
Total expenditures	<u>416,456</u>	<u>431,346</u>	<u>(14,890)</u>	<u>417,834</u>
Excess of revenues over (under) expenditures	(37,956)	(150,655)	(112,699)	(88,173)
Other financing sources -				
Transfers in General Fund	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net change in fund balance (deficit)	\$ <u>(17,956)</u>	(130,655)	<u>(112,699)</u>	(68,173)
Beginning fund balance (deficit)		<u>(437,320)</u>		<u>(369,147)</u>
Ending fund balance (deficit)		\$ <u>(567,975)</u>		<u>(437,320)</u>

CITY OF KING COVE, ALASKA

Permanent Fund Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and ActualYear Ended June 30, 2015
With Comparative Amounts for 2014

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues - investment income	\$ 100	44	(56)	84
Expenditures	-	-	-	-
Excess of revenues over expenditures	<u>100</u>	<u>44</u>	<u>(56)</u>	<u>84</u>
Other financing sources (uses):				
Transfers in:				
Electric Enterprise Fund	30,000	30,000	-	30,000
Bond Reserves	86,333	-	(86,333)	-
Transfers to Housing and Community Projects Special Revenue Fund	-	-	-	(54,818)
Net other financing sources (uses)	<u>116,333</u>	<u>30,000</u>	<u>(86,333)</u>	<u>(24,818)</u>
Net change in fund balance	\$ <u>116,433</u>	<u>30,044</u>	<u>(86,389)</u>	<u>(24,734)</u>
Beginning fund balance		<u>937,458</u>		<u>962,192</u>
Ending fund balance		\$ <u>967,502</u>		<u>937,458</u>

CITY OF KING COVE, ALASKA

Electric Enterprise Fund

Statement of Net Position

June 30, 2015

With Comparative Amounts for 2014

<u>Assets and Deferred Outflows of Resources</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Receivables:		
Accounts	\$ 54,133	48,632
Grants	86,414	26,085
Allowance for doubtful accounts	(14,000)	(14,000)
Total current assets	<u>126,547</u>	<u>60,717</u>
Restricted cash:		
Bond reserves	86,334	86,333
Unspent bond proceeds	-	271,772
Total restricted cash	<u>86,334</u>	<u>358,105</u>
Property, plant and equipment:		
Construction in progress - Waterfall Creek hydroelectric project	851,012	577,272
Land	48,372	48,372
Infrastructure	3,955,382	3,955,382
Improvements	723,045	723,045
Buildings	2,203,494	2,203,494
Equipment	4,934,240	4,907,717
Total property, plant and equipment	<u>12,715,545</u>	<u>12,415,282</u>
Less accumulated depreciation	<u>(5,874,600)</u>	<u>(5,565,893)</u>
Net property, plant and equipment	<u>6,840,945</u>	<u>6,849,389</u>
Deferred outflows of resources -		
Pension deferrals	<u>13,423</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 7,067,249</u>	<u>7,268,211</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current liabilities:		
Accounts payable	13,808	60,704
Accrued payroll and related liabilities	10,258	9,819
Customer deposits	4,793	-
Accrued interest payable	3,804	1,752
Unearned revenue	-	4,043
Accrued leave	4,155	5,348
Current portion of revenue bonds	115,000	110,000
Total current liabilities	<u>151,818</u>	<u>191,666</u>
Noncurrent liabilities		
Advance from other funds	337,288	425,985
Revenue bonds	1,010,000	1,125,000
Unamortized bond premium	102,255	117,739
Net pension liability	164,778	-
Total noncurrent liabilities	<u>1,614,321</u>	<u>1,668,724</u>
Deferred inflows of resources -		
Pension deferrals	<u>15,345</u>	<u>-</u>
Net position:		
Net investment in capital assets	5,613,690	5,768,422
Unrestricted (deficit)	<u>(327,925)</u>	<u>(360,601)</u>
Total net position	<u>5,285,765</u>	<u>5,407,821</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,067,249</u>	<u>7,268,211</u>

CITY OF KING COVE, ALASKA

Electric Enterprise Fund

Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015
With Comparative Amounts for 2014

	2015	2014
Operating revenues - charges for services:		
Electric revenue	\$ 639,229	640,857
City owned electric	408,224	326,917
Harbor electric	142,390	125,430
Finance charges	392	480
Other	72,321	144,924
Total operating revenues	1,262,556	1,238,608
Operating expenses:		
Salaries	161,168	160,139
Employee benefits	30,585	79,351
Travel and training	340	-
Telephone	10,860	10,579
Supplies	37,010	71,166
Dues and fees	-	78
Insurance	20,558	17,692
Professional services	2,418	-
Contractual	868	-
Power plant electric	65,561	32,501
Fuel - power plant	414,350	573,017
Fuel - vehicles	10,216	10,165
Repairs and maintenance	5,220	-
Miscellaneous expense	2,372	-
Depreciation	308,707	309,519
Total operating expenses	1,070,233	1,264,207
Income (loss) from operations	192,323	(25,599)
Nonoperating revenues (expenses):		
Interest expense	(37,440)	(49,202)
Senior power subsidy	(49,069)	(40,981)
State PERS relief	6,761	16,438
Net nonoperating revenues (expenses)	(79,748)	(73,745)
Loss before contributions and transfers	112,575	(99,344)
Other financing sources (uses):		
Capital contributions	60,329	191,139
Transfers to General Fund	(60,000)	-
Transfers to Permanent Fund	(30,000)	(30,000)
Total other financing sources (uses)	(29,671)	161,139
Change in net position	82,904	61,795
Net position, beginning, as previously stated	5,407,821	5,346,026
Cumulative effect of a change in accounting principle	(204,960)	-
Net position, beginning, as restated	5,202,861	5,346,026
Ending net position	\$ 5,285,765	5,407,821

CITY OF KING COVE, ALASKA

Electric Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2015
With Comparative Amounts for 2014

	2015	2014
Cash flows from operating activities:		
Receipts from customers and users	1,257,805	1,291,841
Payments to suppliers	(616,669)	(665,928)
Payments to employees	(206,747)	(223,638)
Net cash flows from operating activities	<u>434,389</u>	<u>402,275</u>
Cash flows from noncapital financing activities:		
Senior power subsidy	(49,069)	(40,981)
Decrease in advance from other funds	(88,697)	(28,100)
Transfers to other funds	(90,000)	(30,000)
(Increase) in deferred outflows - pension	(13,423)	-
(Decrease) in deferred inflows - pension	(3,836)	-
Net cash flows from noncapital financing activities	<u>(245,025)</u>	<u>(99,081)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(300,263)	(577,272)
Capital contributions received	-	165,054
Proceeds from issuance of debt	-	1,352,739
Principal payments on long-term debt	(110,000)	(834,889)
Interest payments on long-term debt	(50,872)	(50,721)
Net cash flows from capital and related financing activities	<u>(461,135)</u>	<u>54,911</u>
Net increase in cash and investments	(271,771)	358,105
Beginning cash and cash equivalents	<u>358,105</u>	<u>-</u>
Ending cash and cash equivalents	<u><u>86,334</u></u>	<u><u>358,105</u></u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	192,323	(25,599)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	308,707	309,519
Noncash expense - PERS relief	6,761	16,438
(Increase) in assets - accounts receivable (net)	(5,501)	52,760
Increase (decrease) in liabilities:		
Accounts payable	(46,896)	49,270
Accrued payroll and related liabilities	439	732
Customer deposits	4,793	
Unearned revenue	(4,043)	473
Unfunded pension liability	(21,001)	-
Accrued leave	(1,193)	(1,318)
Net cash flows from operating activities	<u><u>\$ 434,389</u></u>	<u><u>402,275</u></u>

CITY OF KING COVE, ALASKA
Harbor and Port Enterprise Fund
Statement of Net Position
June 30, 2015
With Comparative Amounts for 2014

<u>Assets and Deferred Outflows of Resources</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Receivables:		
Accounts	\$ 110,446	106,328
Allowance for doubtful accounts	(20,400)	(20,400)
Total current assets	<u>90,046</u>	<u>85,928</u>
Restricted cash - bond reserves	<u>108,484</u>	<u>108,484</u>
Property, plant and equipment:		
Construction in progress - harbor bulkhead	-	35,453
Infrastructure	21,720,359	21,720,359
Buildings	355,860	355,860
Equipment	907,482	907,482
Total property, plant and equipment	<u>22,983,701</u>	<u>23,019,154</u>
Less accumulated depreciation	(7,138,792)	(6,661,620)
Net property, plant and equipment	<u>15,844,909</u>	<u>16,357,534</u>
Deferred outflows of resources -		
Pension deferrals	<u>14,382</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 16,057,821</u>	<u>16,551,946</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current liabilities:		
Accounts payable	766	8,584
Accrued payroll and related liabilities	10,400	9,045
Accrued interest payable	16,961	17,186
Accrued leave	9,394	9,298
Current portion of revenue bonds	50,000	50,000
Total current liabilities	<u>87,521</u>	<u>94,113</u>
Noncurrent liabilities:		
Advances from other funds	467,124	410,261
Revenue bonds	1,000,000	1,050,000
Unamortized bond premium	18,158	19,293
Net pension liability	176,548	-
Total noncurrent liabilities	<u>1,661,830</u>	<u>1,573,667</u>
Deferred inflows of resources -		
Pension deferrals	<u>16,441</u>	<u>-</u>
Net position:		
Net investment in capital assets	14,776,751	15,238,241
Unrestricted (deficit)	(484,722)	(259,962)
Total net position	<u>14,292,029</u>	<u>14,978,279</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,057,821</u>	<u>16,551,946</u>

CITY OF KING COVE, ALASKA

Harbor and Port Enterprise Fund

Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015
With Comparative Amounts for 2014

	2015	2014
Operating revenues:		
Moorage	\$ 125,119	149,975
Pot storage	20,436	7,993
Haulout	62,761	45,636
Wharfage	41,121	57,713
Harbor electric	4,404	3,879
State ferry	12,100	1,100
Space rent	16,407	8,298
Lockers	4,277	22,097
Skiff storage	68	2,302
Warehouse loft usage	682	1,768
Forklift	32,250	33,660
Other	3,085	2,004
Harbor fuel inbound	-	2,544
Finance charges	5,879	4,421
Total revenues	<u>328,589</u>	<u>343,390</u>
Operating expenses:		
Harbor:		
Salaries	169,730	154,606
Employee benefits	24,433	84,002
Travel and per diem	4,551	1,371
Telephone	2,625	3,269
Supplies	26,985	47,522
Utilities - heat	7,451	8,905
Utilities - electric	12,830	14,303
Dues and fees	-	1,078
Advertising	-	378
Insurance	26,807	23,136
Fuel - gas	3,712	2,750
Fuel - diesel	4,254	5,558
Depreciation	477,172	483,371
Total harbor	\$ <u>760,550</u>	<u>830,249</u>

(continued)

CITY OF KING COVE, ALASKA
Harbor and Port Enterprise Fund
Statement of Revenues, Expenses and Changes in
Net Position, Continued

	<u>2015</u>	<u>2014</u>
Operating expenses, continued:		
Port:		
Salaries	\$ 21,412	28,106
Employee benefits	8,651	16,382
Insurance	6,307	5,444
Total port	<u>36,370</u>	<u>49,932</u>
Total operating expenses	<u>796,920</u>	<u>880,181</u>
Loss from operations	(468,331)	(536,791)
Nonoperating revenues (expenses):		
Interest expense	(51,694)	(52,944)
Bond issuance costs	(700)	-
Loss on disposition of capital assets	(35,453)	-
Interest rate subsidy	16,904	14,185
State PERS relief	7,224	20,959
Net nonoperating revenues (expenses)	<u>(63,719)</u>	<u>(17,800)</u>
Loss before transfers	(532,050)	(554,591)
Other financing sources (uses):		
Transfers from (to) other funds:		
General Fund	85,400	86,300
Solid Waste Collection Special Revenue Fund	<u>(20,000)</u>	<u>(20,000)</u>
Change in net position	(466,650)	(488,291)
Net position, beginning, as previously stated	<u>14,978,279</u>	<u>15,466,570</u>
Cumulative effect of a change in accounting principle	<u>(219,600)</u>	<u>-</u>
Net position, beginning, restated	<u>14,758,679</u>	<u>15,466,570</u>
Ending net position	<u>\$ 14,292,029</u>	<u>14,978,279</u>

CITY OF KING COVE, ALASKA

Harbor and Port Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2015
With Comparative Amounts for 2014

	2015	2014
Cash flows from operating activities:		
Receipts from customers	324,471	360,368
Payments to suppliers	(103,340)	(108,672)
Payments to employees	(238,052)	(261,574)
Net cash flows from operating activities	<u>(16,921)</u>	<u>(9,878)</u>
Cash flows from noncapital financing activities:		
Increase in advance from other funds	56,863	54,236
Interest rate subsidy	16,904	14,185
Transfers to other funds	(20,000)	(20,000)
(Increase) in deferred outflows - pension	(14,382)	-
(Decrease) in deferred inflows - pension	(4,110)	-
Net cash flows from noncapital financing activities	<u>35,275</u>	<u>48,421</u>
Cash flows from capital and related financing activities:		
Bond issuance costs	(700)	-
Purchase of capital assets	-	(20,280)
Principal payments on long-term debt	(50,000)	(50,000)
Interest payments on long-term debt	(53,054)	(54,554)
Transfers from other funds	85,400	86,300
Net cash flows from capital and related financing activities	<u>(18,354)</u>	<u>(38,534)</u>
Net increase in cash and investments	-	9
Beginning cash and investments	<u>108,484</u>	<u>108,475</u>
Ending cash and investments	<u>\$ 108,484</u>	<u>108,484</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	\$ (468,331)	(536,791)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	477,172	483,371
Noncash expense - PERS relief	7,224	20,959
Sales tax revenue	-	-
(Increase) decrease in assets - accounts receivable (net)	(4,118)	16,978
Increase (decrease) in liabilities:		
Accounts payable	(7,818)	5,042
Accrued payroll and related liabilities	1,355	(797)
Accrued leave	96	1,360
Unfunded pension liability	(22,501)	-
Net cash flows from operating activities	<u>\$ (16,921)</u>	<u>(9,878)</u>

CITY OF KING COVE, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2015

<u>Assets</u>	Solid Waste Collection Special Revenue Fund	<u>Capital Project Funds</u>		Total Nonmajor Governmental Funds
		General Capital Projects	Vehicle and Machinery Replacement	
Accounts receivable	\$ 37,590	6,824	-	44,414
Due from other funds	8,386	5,634	64,174	78,194
Total assets	<u>\$ 45,976</u>	<u>12,458</u>	<u>64,174</u>	<u>122,608</u>
<u>Liabilities, deferred inflows of resources and Fund Balances</u>				
Liabilities:				
Accounts payable	-	1,233	-	1,233
Accrued payroll and related liabilities	4,111	-	-	4,111
Total liabilities	<u>4,111</u>	<u>1,233</u>	<u>-</u>	<u>5,344</u>
Deferred inflows of resources				
Unavailable revenues	13,404	-	-	13,404
Total liabilities and deferred inflows of resources	<u>17,515</u>	<u>1,233</u>	<u>-</u>	<u>18,748</u>
Fund balances:				
Assigned:				
Solid waste collection	28,461	-	-	28,461
Vehicle and machinery replacement	-	-	64,174	64,174
General capital projects	-	11,225	-	11,225
Total fund balances (deficits)	<u>28,461</u>	<u>11,225</u>	<u>64,174</u>	<u>103,860</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 45,976</u>	<u>12,458</u>	<u>64,174</u>	<u>122,608</u>

CITY OF KING COVE, ALASKA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

Year Ended June 30, 2015

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Solid Waste Collection	Housing and Community Projects	General Capital Projects	Vehicle and Machinery Replacement	
Revenues:					
Intergovernmental - state sources	\$ 21,378	6,106	7,698	-	35,182
Charges for services	91,053	40,502	-	-	131,555
Other	61	2,597	-	-	2,658
Total revenues	<u>112,492</u>	<u>49,205</u>	<u>7,698</u>	<u>-</u>	<u>169,395</u>
Expenditures:					
Public works	-	-	180,258	93,300	273,558
Community services	-	46,492	-	-	46,492
Water and sewer	-	-	-	-	-
Solid waste collection	136,487	-	-	-	136,487
Debt service:					
Principal	-	-	-	35,567	35,567
Interest	-	-	-	10,510	10,510
Total expenditures	<u>136,487</u>	<u>46,492</u>	<u>180,258</u>	<u>139,377</u>	<u>502,614</u>
Excess of revenues over (under) expenditures	(23,995)	2,713	(172,560)	(139,377)	(333,219)
Other financing sources:					
Proceeds from the issuance of debt	-	-	-	69,700	69,700
Transfers in	20,000	81,806	210,478	-	312,284
Net other financing sources	<u>20,000</u>	<u>81,806</u>	<u>210,478</u>	<u>69,700</u>	<u>381,984</u>
Net change in fund balances	(3,995)	84,519	37,918	(69,677)	48,765
Beginning fund balances (deficits)	<u>32,456</u>	<u>(84,519)</u>	<u>(26,693)</u>	<u>133,851</u>	<u>55,095</u>
Ending fund balances (deficits)	\$ <u><u>28,461</u></u>	<u><u>-</u></u>	<u><u>11,225</u></u>	<u><u>64,174</u></u>	<u><u>103,860</u></u>

CITY OF KING COVE, ALASKA

Solid Waste Collection Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and ActualYear Ended June 30, 2015
With Comparative Amounts for 2014

	2015			2014
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Local - charges for services:				
Collection fees	\$ 65,000	78,077	13,077	64,769
Collection fees - Peter Pan Seafood	50,000	12,976	(37,024)	46,634
Intergovernmental:				
State PERS relief	4,000	21,378	17,378	7,410
Other - finance charges	100	61	(39)	95
Total revenues	<u>119,100</u>	<u>112,492</u>	<u>(6,608)</u>	<u>118,908</u>
Expenditures:				
Water and sewer:				
Salaries	60,215	67,347	(7,132)	78,413
Employee benefits	29,213	45,584	(16,371)	35,840
Supplies	10,000	6,334	3,666	2,858
Equipment	-	-	-	50,953
Professional services	-	3,786	(3,786)	-
Insurance	9,461	9,461	-	8,166
Fuel - diesel	3,600	3,585	15	3,905
Deferred compensation	150	390	(240)	90
Total expenditures	<u>112,639</u>	<u>136,487</u>	<u>(23,848)</u>	<u>180,225</u>
Excess of revenues over (under) expenditures	6,461	(23,995)	(30,456)	(61,317)
Other financing sources - transfers from Harbor and Port Enterprise Fund	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net change in fund balance	\$ <u>26,461</u>	(3,995)	<u>(30,456)</u>	(41,317)
Beginning fund balance		<u>32,456</u>		<u>73,773</u>
Ending fund balance		\$ <u>28,461</u>		<u>32,456</u>

CITY OF KING COVE, ALASKA

Housing and Community Projects Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance (Deficit) - Budget and ActualYear Ended June 30, 2015
With Comparative Amounts for 2014

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Charges for services:				
Housing rental	\$ 18,000	18,000	-	18,000
Space rental	1,500	1,406	(94)	2,500
Intergovernmental:				
Equipment rental	20,000	21,096	1,096	-
State PERS relief	3,600	6,106	2,506	4,165
Other	4,000	2,597	(1,403)	4,808
Total revenues	<u>47,100</u>	<u>49,205</u>	<u>2,105</u>	<u>29,473</u>
Expenditures - community services:				
Salaries	19,309	18,913	396	29,015
Employee benefits	11,760	12,573	(813)	18,175
Supplies	-	-	-	20,976
Utilities - heat	8,000	8,102	(102)	10,521
Utilities - electric	5,000	5,327	(327)	11,370
Insurance	1,577	1,577	-	1,361
Total expenditures	<u>45,646</u>	<u>46,492</u>	<u>(846)</u>	<u>91,418</u>
Excess of revenues over (under) expenditure	1,454	2,713	1,259	(61,945)
Other financing sources - transfers from:				
General Fund	-	81,806	81,806	50,000
Permanent Fund	-	-	-	54,818
Total other financing sources	<u>-</u>	<u>81,806</u>	<u>81,806</u>	<u>104,818</u>
Net change in deficit	\$ <u>1,454</u>	84,519	<u>83,065</u>	42,873
Beginning fund balance (deficit)		<u>(84,519)</u>		<u>(127,392)</u>
Ending fund balance (deficit)		\$ <u>-</u>		<u>(84,519)</u>

CITY OF KING COVE, ALASKA

General Capital Projects Fund

Schedule of Revenues, Expenditures and Changes
In Fund Balance (Deficit)Year Ended June 30, 2015
With Comparative Amounts for 2014

	2015	2014
Revenues:		
Intergovernmental - State sources	\$ 7,698	-
Total revenues	<u>7,698</u>	<u>-</u>
Expenditures - public works:		
Contractual	100,519	-
Planning and engineering	26,172	-
Supplies	45,068	-
Travel and training	2,500	-
Harbor upgrade	-	4,301
Izembeck access project	-	193,364
Other	5,999	10,564
Water rate study	-	5,382
Surveying and platting	-	12,853
Landfill upgrade	-	1,215
Harbor warehouse upgrades	-	49,098
Total expenditures	<u>180,258</u>	<u>276,777</u>
Excess of revenues over (under) expenditures	(172,560)	(276,777)
Other financing sources -		
Transfers in - General Fund	<u>210,478</u>	<u>100,000</u>
Net change in fund balance	37,918	(176,777)
Beginning fund balance (deficit)	<u>(26,693)</u>	<u>150,084</u>
Ending fund balance (deficit)	<u>\$ 11,225</u>	<u>(26,693)</u>

CITY OF KING COVE, ALASKA
Vehicle and Machinery Replacement Capital Project Fund

Schedule of Revenues, Expenditures and Changes
In Fund Balance

Year Ended June 30, 2015
With Comparative Amounts for 2014

	2015	2014
Revenues	\$ -	-
Expenditures - public works:		
Equipment	93,300	98,145
Debt service:		
Principal	35,567	19,309
Interest	10,510	-
Total expenditures	139,377	117,454
Excess of revenues over (under) expenditures	(139,377)	(117,454)
Other financing sources:		
Proceeds from issuance of debt	69,700	-
Transfers from - General Fund	-	75,000
Total other financing sources	69,700	75,000
Net change in fund balance	(69,677)	(42,454)
Beginning fund balance	133,851	176,305
Ending fund balance	\$ 64,174	133,851

CITY OF KING COVE, ALASKA

City Fuel Internal Service Fund

Statement of Net Position

June 30, 2015

With Comparative Amounts for 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Fuel inventory	\$ 97,317	340,937
Advances to other funds	36,861	-
Total current assets	<u>134,178</u>	<u>340,937</u>
Property, plant and equipment - fuel tanks	871,489	871,489
Less accumulated depreciation	<u>(305,018)</u>	<u>(261,444)</u>
Net property, plant and equipment	<u>566,471</u>	<u>610,045</u>
Total assets	<u>\$ 700,649</u>	<u>950,982</u>
<u>Liabilities and Net Position</u>		
Current liabilities:		
Accrued payroll and related liabilities	-	255
Loans payable	<u>170,595</u>	<u>-</u>
Total current liabilities	<u>170,595</u>	<u>255</u>
Noncurrent liabilities - advance from other funds	<u>-</u>	<u>420,673</u>
Total liabilities	<u>170,595</u>	<u>420,928</u>
Net position:		
Net investment in capital assets	566,471	610,045
Unrestricted (deficit)	<u>(36,417)</u>	<u>(79,991)</u>
Total net position	<u>530,054</u>	<u>530,054</u>
Total liabilities and net position	<u>\$ 700,649</u>	<u>950,982</u>

CITY OF KING COVE, ALASKA

City Fuel Internal Service Fund

Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015
With Comparative Amounts for 2014

	2015	2014
Operating revenues - fuel sales	\$ 547,922	751,827
Operating expenses:		
Salaries and benefits	23,463	28,005
Supplies	3,164	600
Fuel	548,743	698,608
Depreciation	43,574	43,574
Total operating expenses	618,944	770,787
Loss from operations	(71,022)	(18,960)
Other income (expense):		
Intergovernmental -		
State PERS relief	-	2,355
Interest expense	(3,397)	-
Total other income (expense)	(3,397)	2,355
Income (loss) before transfers	(74,419)	(16,605)
Other financing sources:		
Transfers in from General Fund	74,419	-
Change in net position	-	(16,605)
Beginning net position	530,054	546,659
Ending net position	\$ 530,054	530,054

CITY OF KING COVE, ALASKA

City Fuel Internal Service Fund

Statement of Cash Flows

Year Ended June 30, 2015
With Comparative Amounts for 2014

	2015	2014
Cash flows from operating activities:		
Receipts from customers	\$ 547,922	751,827
Payments to suppliers	(308,287)	(923,864)
Payments to employees	(23,718)	(26,505)
Net cash flows from operating activities	<u>215,917</u>	<u>(198,542)</u>
Cash flows from noncapital financing activities -		
Advance from other funds	(457,534)	198,542
Fuel loan proceeds	170,595	-
Interest expense	(3,397)	-
Transfers from other funds	74,419	-
Net cash flows from noncapital financing activities	<u>(215,917)</u>	<u>198,542</u>
Net increase in cash and investments	-	-
Beginning cash and cash equivalents	<u>-</u>	<u>-</u>
Ending cash and cash equivalents	\$ <u><u>-</u></u>	<u><u>-</u></u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	\$ (71,022)	(18,960)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	43,574	43,574
Noncash expense - PERS relief	-	2,355
(Increase) decrease in assets - fuel inventory	243,620	(224,549)
Increase (decrease) in liabilities:		
Accounts payable	-	(107)
Accrued payroll and related liabilities	(255)	(855)
Net cash flows from operating activities	<u>\$ 215,917</u>	<u>(198,542)</u>

COMPLIANCE REPORT

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Members of the City Council
City of King Cove
King Cove, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of King Cove, Alaska (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of King Cove's basic financial statements, and have issued our report thereon dated March 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2015-002 to be a material weakness.

Members of the City Council
City of King Cove, Alaska

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2015-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of King Cove's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The City of King Cove's responses to the findings identified in our audit are described in the accompanying corrective action plan. The City of King Cove's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anchorage, Alaska
March 29, 2016

CITY OF KING COVE, ALASKA

Schedule of Findings

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Is a going concern emphasis-of-matter paragraph included in the audit report?	<u> </u> Yes	<u> X </u> No	
Internal control over financial reporting:			
Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No	
Significant deficiency(ies) identified?	<u> X </u> Yes	<u> </u> No	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Section II – Financial Statement Findings

Finding 2015-001

Internal Controls over Cash Disbursements

Significant Deficiency

Condition:	During our testing of internal controls over cash disbursements we noted multiple transactions lacking proper documentation of approval and review of general ledger coding. Additionally we noted that no support is maintained for credit card transactions or review of general ledger coding.
Criteria:	All transactions should be accompanied by adequate supporting documentation and be reviewed and approved by the appropriate level of management.
Context:	We tested 40 cash disbursement transactions and 40 credit card transactions and noted 6 transactions without proper supporting documentation or approval.
Cause:	Lack of internal controls over cash disbursements.
Effect:	Errors may not be prevented or detected in a timely manner which could allow unauthorized disbursements or improper recording in the general ledger.
Recommendation:	All transactions should be accompanied by adequate supporting documentation, general ledger coding, and indicate the individual(s) approving the disbursements and coding.
Management Response:	See Corrective Action Plan.

CITY OF KING COVE, ALASKA

Schedule of Findings

Finding 2015-002

Internal Controls over General Journal Entries

Material weakness

Condition:	During the audit we noted that general journal entries were not accompanied by supporting documentation and there is no approval process for recording journal entries in the general ledger.
Criteria:	All general journal entries should be accompanied by adequate supporting documentation and indicate that the entries were approved by the appropriate level of management.
Context:	All journal entries lacked supporting documentation and indication of proper approval.
Cause:	Lack of internal controls over general journal entries.
Effect:	Material misstatements may not be detected or corrected in a timely manner.
Recommendation:	Supporting documentation should be filed with all general journal entries and indicate the individual(s) reviewing and approving the entries.
Management Response:	See Corrective Action Plan.

Section III – Status of Prior Year Findings

The City of King Cove did not have any prior year findings related to the financial statements.

CITY OF KING COVE, ALASKA

Corrective Action Plan

June 30, 2015

Finding 2015-001:

Internal Controls Over Cash Disbursements

Name of Contact Person: Bonnie Folz

Corrective Action Plan: In the future there will be coding on credit card transactions.

Proposed Completion Date: Immediately.

Finding 2015-002:

Internal Controls Over General Journal Entries

Name of Contact Person: Bonnie Folz

Corrective Action Plan: In the future there will be coding on all journal entry transactions.

Proposed Completion Date: Immediately.